

Regular Session, 2009

SENATE BILL NO. 57

BY SENATOR B. GAUTREAUX

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

STATE POLICE RET FUND. Provides for a Back-Deferred Retirement Option Program for the State Police Pension and Retirement System. (See Act)

AN ACT

To amend and reenact R.S. 11:62(10), 1307(E), and 1335(B), to enact R.S.11:1312.1, and to repeal R.S. 11:1307(C) and 1312, relative to the State Police Pension and Retirement System; to create the Back-Deferred Retirement Option Program; to provide for eligibility, procedures for application, and calculation of benefits of such program; to provide for effective dates; and to provide for related matters.

Notice of intention to introduce this Act has been published.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:62(10), 1307(E), and 1335(B) are hereby amended and reenacted and R.S. 11:1312.1 is hereby enacted to read as follows:

§62. Employee contribution rates established

Employee contributions to state and statewide public retirement systems shall be paid at the following rates:

* * *

(10) State Police Pension and Retirement System – 8.5%.

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§1307. Persons eligible to retire on basis of service and age; retirement salaries

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E. In lieu of receiving the regular retirement salary computed pursuant to Subsection A of this Section, a member of the system who ~~has~~ **does** not participated in the **Back-Deferred Retirement Option Plan Program** provided by the provisions of this Chapter and who is eligible for a regular retirement salary computed pursuant to Subsection A of this Section may elect to receive a reduced retirement salary plus an initial benefit, provided the initial benefit, together with the reduced retirement salary, shall be certified by the actuary to be actuarially equivalent to the member's regular retirement salary computed pursuant to Subsection A of this Section. The amount of the initial benefit, as determined by the member, shall not exceed an amount equal to the member's maximum **monthly** retirement salary multiplied by thirty-six, and **The initial benefit** shall, at the option of the member, be paid ~~either in accordance with the provisions of R.S. 11:1312, or as a lump-sum payment. The initial benefit shall be~~ **as a lump sum or** placed in an **interest-earning** account in accordance with R.S. 11:1312.1(D)(4) and interest will be paid on any balance in the account in accordance with R.S. 11:1312. Cost-of-living adjustments granted by the board of trustees to retirees who elect to receive a reduced retirement salary and an initial benefit shall be based only on the reduced retirement salary and shall not be based on the initial benefit ~~whether it is paid either as a lump-sum or pursuant to R.S. 11:1312(H).~~

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§1312.1. Back-Deferred Retirement Option Program

A.(1) There is hereby created an optional retirement benefit program for members of the system called the "Back-Deferred Retirement Option Program" which shall be referred to in this Chapter as "Back-DROP."

(2) In lieu of receiving a normal retirement benefit pursuant to R.S. 11:1307 through 1310, an eligible member of the system may elect to retire and have his benefits structured, calculated, and paid as provided in this Section.

B. An active, contributing member of the system shall be eligible for

1 Back-DROP only if both of the following are satisfied:

2 (1) The member has accrued more service credit than the minimum
3 required for eligibility for a normal retirement benefit.

4 (2) The member has attained an age that is greater than the minimum
5 required for eligibility for a normal retirement benefit, if applicable.

6 C. At the time of retirement, a member who elects to receive a Back-
7 DROP benefit shall select a Back-DROP period to be specified in whole months.
8 The duration of the Back-DROP period shall not exceed the lesser of thirty-six
9 months or the number of months of creditable service accrued after the member
10 first attained eligibility for normal retirement. The Back-DROP period shall
11 be comprised of the most recent calendar days corresponding to the member's
12 employment for which service credit in the system accrued.

13 D.(1) The Back-DROP benefit shall have two portions: a monthly
14 benefit portion and a lump-sum portion.

15 (2) The member's Back-DROP monthly benefit shall be calculated
16 pursuant to the provisions applicable for service retirement set forth in R.S.
17 11:1307 through 1310, subject to the following conditions:

18 (a) For purposes of this Paragraph, creditable service shall not include
19 service credit reciprocally recognized pursuant to R.S. 11:142.

20 (b) Accrued service credit at retirement shall be reduced by the Back-
21 DROP period.

22 (c) The sum of the Back-DROP period and the accrued service credit
23 used to calculate the member's monthly benefit shall not exceed thirty years.

24 (d) Final average compensation shall be calculated by excluding all
25 earnings during the Back-DROP period.

26 (e) Employer contributions received by the retirement system during the
27 Back-DROP period and any interest that has accrued on employer and
28 employee contributions received during the period shall be retained by the
29 system and shall not be refunded to the member or to the employer.

(f) Employee contributions received by the retirement system during the Back-DROP period shall, at the member's election, be refunded to the member without interest or deposited directly into the member's Back-DROP account.

(g) The member's Back-DROP monthly benefit shall be calculated based upon the member's age and service and the system statutes and other plan provisions in effect on the last day of creditable service before the Back-DROP period.

(h) At retirement, the member's maximum monthly retirement benefit payable as a life annuity shall be equal to the Back-DROP monthly benefit.

(3) In addition to the monthly benefit received pursuant to Paragraph (2) of this Subsection, the member shall be paid a lump-sum benefit equal to the Back-DROP maximum monthly retirement benefit multiplied by the number of months selected as the Back-DROP period.

(4) The Back-DROP lump sum shall, at the member's election, be distributed to the member or paid into an individual account and placed in liquid asset money market investments. Such account shall be credited with interest at the actual rate of return earned on such account balance investments.

(5) Cost-of-living adjustments shall not be payable on the member's Back-DROP lump sum.

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§1335. Conversion of annual and sick leave to a monetary value; lump sum payment; payment into Back-Deferred Retirement Option Plan Program account

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B. In addition to funding of the Back-Deferred Retirement Option Plan (~~DROP~~) accounts Program account pursuant to R.S. 11:1312.1, a member who participated participates in Back-DROP shall have the option to have the amount calculated under Subsection A of this Section deposited directly into the member's Back-DROP account. If a member applies for such deposit, the system shall deposit

~~such amount directly into the member's DROP account upon termination of the member's employment.~~

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Section 2. R.S. 11:1307(C) and 1312 are hereby repealed.

Section 3. A. The amount of the unfunded accrued liability and any other actuarial cost resulting from the implementation of the provisions of this Act shall be funded through the additional employee contributions of one-half of one percent required pursuant to this Act.

B. The additional actuarial cost, if any, of the benefit provisions of this Act not funded with increased employee contributions shall be funded with increased employer contributions in compliance with Article X, Section 29(E)(5)(b) of the Constitution of Louisiana.

Section 4. Statutory authority for beginning participation in the Deferred Retirement Option Plan of the State Police Pension and Retirement System shall cease on September 30, 2009. Each member who is participating in that plan on September 30, 2009, shall complete his period of participation, subject to the terms and provisions in effect on the date he began participation in that plan. Members who have participated in the Deferred Retirement Option Plan shall continue to be subject to the terms and provisions of the system in effect on September 30, 2009.

Section 5. A. The provisions of Sections 1, 2, and 3 of this Act shall become effective on October 1, 2009; if vetoed by the governor and subsequently approved by the legislature, the provisions of Sections 1, 2, and 3 of this Act shall become effective on October 1, 2009, or on the day following such approval by the legislature, whichever is later.

B. The provisions of Sections 4 and 5 of this Act shall become effective on September 30, 2009; if vetoed by the governor and subsequently approved by the legislature, the provisions of Sections 4 and 5 of this Act shall become effective on September 30, 2009, or on the day following such approval by the legislature, whichever is later.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Lauren B. Bailey.

DIGEST

Present law (R.S. 11:62(10)) provides that the employee contribution rate for members of the State Police Pension and Retirement System (system) shall be 8%.

Proposed law increases the employee contribution rate for members of the system to 8.5%.

Present law (R.S. 11:1312) provides for the Deferred Retirement Option Plan (DROP) for the system.

Proposed law repeals present law and provides for an optional retirement benefit program called the Back-Deferred Retirement Option Program (Back-DROP) for the system. Provides that in lieu of receiving a normal retirement benefit pursuant to present law, an eligible member of the system may elect to retire and have his benefits structured, calculated, and paid as provided in proposed law.

Proposed law provides for eligibility, procedures for application, and benefit calculation for a member who chooses to receive a Back-DROP benefit. Provides that an active, contributing member of the system shall be eligible for Back-DROP only if both of the following are satisfied:

- (1) He has accrued more service credit than the minimum required for eligibility for a normal retirement benefit.
- (2) He has attained an age that is greater than the minimum required for eligibility for a normal retirement benefit, if applicable.

Proposed law provides that at the time of retirement, a member who elects to receive a Back-DROP benefit shall select a Back-DROP period to be specified in whole months. Provides that the duration of the Back-DROP period shall not exceed the lesser of 36 months or the number of months of creditable service accrued after the member first attained eligibility for normal retirement. Provides that the Back-DROP period shall be comprised of the most recent calendar days corresponding to the member's employment for which service credit in the system accrued.

Proposed law provides that the Back-DROP benefit shall have two portions: a lump-sum portion and a monthly benefit portion. Provides that the member's Back-DROP monthly benefit shall be calculated pursuant to the provisions applicable for service retirement set forth in present law, subject to the following conditions:

- (1) For purposes of proposed law, creditable service shall not include service credit reciprocally recognized pursuant to present law (R.S. 11:142).
- (2) Accrued service at retirement shall be reduced by the Back-DROP period.
- (3) The sum of the Back-DROP period and the accrued service credit used to calculate the member's monthly benefit shall not exceed 30 years.
- (4) Final average compensation shall be calculated by excluding all earnings during the Back-DROP period.
- (5) Employer contributions received by the retirement system during the Back-DROP period and any interest that has accrued on employer and employee contributions received during the period shall be retained by the system and shall not be refunded

to the member or to the employer.

- (6) Employee contributions received by the retirement system during the Back-DROP period shall be refunded to the member without interest, or deposited directly into the member's Back-DROP account, at the member's election.
- (7) The member's Back-DROP monthly benefit shall be calculated based upon the member's age and service and the system provisions in effect on the last day of creditable service before the Back-DROP period.
- (8) At retirement, the member's maximum monthly retirement benefit payable as a life annuity shall be equal to the Back-DROP monthly benefit.

Proposed law provides that in addition to the monthly benefit received pursuant to proposed law, the member shall be paid a lump-sum benefit equal to the Back-DROP maximum monthly retirement benefit multiplied by the number of months selected as the Back-DROP period.

Proposed law specifies that cost-of-living adjustments shall not be payable on the member's Back-DROP lump sum.

Proposed law repeals obsolete provisions of present law.

Proposed law specifies that the actuarial cost of implementing the benefit provisions of proposed law shall be funded with additional contributions generated by the 0.5% increase in the employee contribution rate contained in proposed law. Provides that the additional actuarial cost, if any, shall be funded with increased employer contributions in compliance with present state constitution.

Proposed law provides that statutory authority for beginning participation in DROP shall cease on 9/30/09. Provides that each member who is participating in DROP on 9/30/09 shall complete his period of DROP participation, subject to the terms and provisions in effect on the date he began DROP participation. Provides that members who have participated in DROP shall continue to be subject to the terms and provisions of the system in effect on 9/30/09.

Provisions relating to DROP continuation effective September 30, 2009.

Provisions relating to inception of Back-DROP and repeal of DROP effective October 1, 2009.

(Amends R.S. 11:62(10), 1307(E), and 1335(B); adds R.S. 11:1312.1; repeals R.S. 11:1307(C) and 1312)